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22 March 1983

MEMORANDUM

SUBJECT: The Role of Oil Exports in USSR's Hard Currency Earnings

The balance of payments position of the USSR--the world's leading petroleum producer and second largest oil exporter--is closely tied to its hard currency oil sales revenues. In 1981 oil exports accounted for 50 percent of Moscow's hard currency earnings from merchandise trade and roughly 40 percent of all its foreign exchange receipts (see table 1).

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Sales of crude oil products emerged in the 1970s as the USSR's leading export earner. During the decade Soviet petroleum exports grew from about one-tenth to more than one-third of total merchandise exports. The record of growth has been even more spectacular from a hard currency standpoint. Oil sales rose from less than one-fifth of hard currency merchandise exports to one-half during that 10-year span. In volume terms, they climbed from \$400 million at the beginning of the 1970s to \$3.2 million at mid-decade and to over \$12 billion in 1980 and 1981. While the volume of oil sold increased by 30 percent from 1971 to 1981, the spectacular runup in oil prices--a roughly fifteenfold increase--provided the bigger boost to Soviet earnings of hard currency (see the accompanying chart).

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In contrast to 1981, when stagnating oil revenues contributed to a weakened foreign exchange position, the USSR's hard currency payments position was helped by an oil export push in 1982. For the year as a whole, we estimate petroleum deliveries to all hard currency customers totaled between 1.1 and 1.2 million barrels per day (b/d), compared to 920,000 b/d in 1981. Even with a 10 percent drop in the price of Soviet oil, revenues in 1982 were probably in the neighborhood of \$13-14 billion, compared to \$12 billion earned the previous year.

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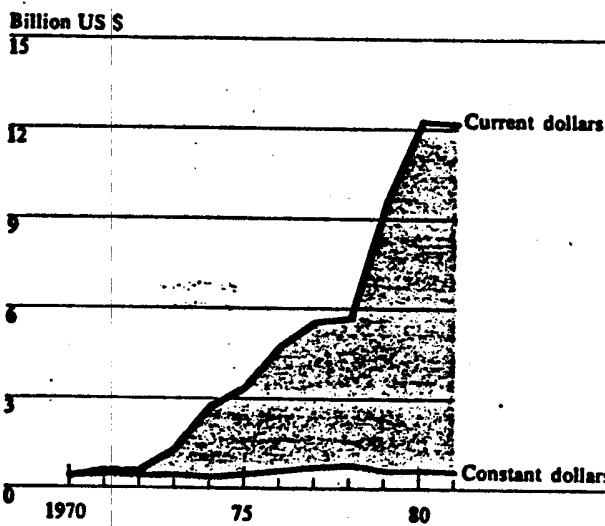
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Table 1
USSR: HARD CURRENCY RECEIPTS

Commodity Exports, f.o.b.							Millions of current US dollars					
Petroleum		Other hard currency commodity exports		Additional arms deliveries not included in reported trade			Invisibles & transfers		Gold		Total foreign exchange receipts	
Value	% of total receipts	Value	% of total receipts	Value	% of total receipts	Value	% of total receipts	Value	% of total receipts	Value	Value	
1970	430	13	1,994	60	400	12	500	15	Negl.	-	3,324	
1975	3,391	30	4,889	43	1,500	13	760	7	725	7	11,265	
1976	4,748	33	5,477	38	1,850	13	911	6	1,369	10	14,355	
1977	5,583	32	6,280	35	3,220	18	1,032	6	1,618	9	17,733	
1978	5,710	27	7,626	37	3,965	19	1,028	5	2,522	12	20,851	
1979	9,585	37	9,832	38	3,855	15	1,140	4	1,490	6	25,902	
1980	11,995	40	11,589	38	4,200	14	900	3	1,580	5	30,264	
1981	12,200	39	11,588	37	4,200	13	1,000	3	2,700	8	31,688	
1982	13,000-	40-43	12,000-	37-40	4,500	14	1,000	3	1,100	3	32,700	
(est.)	14,000		13,000									

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Figure 1
**USSR: Petroleum Exports to Hard
Currency Countries**



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